Nova Scotia Housing Development Corporation
Business Plan
2003 - 2004

Prepared by Housing Services Division
Department of Community Services
March 21, 2003

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Nova Scotia Housing Development Corporation 2003-04 Business Plan

Message from the Minister

It is my privilege to present the Nova Scotia Housing Development Corporation's (Corporation's) Business Plan for 2003-04. In addition to focusing on the Corporation's priorities for 2003-04, I want to share some very positive highlights from the last fiscal year.

In our support of people in need, in September 2002 we signed the $37.26 million Canada Nova Scotia Affordable Housing Agreement. Under this Agreement we will be working with communities to create or renovate up to 1,500 housing units. My Department is committed to developing affordable housing as part of a range of housing options available for Nova Scotians.

In November 2002, with the support of the Canada Nova Scotia Affordable Housing Program and the Town of Middleton, we began the construction of 15 new affordable housing units in Middleton. This is a significant milestone for the province as it is the first new affordable housing project under the program and the first to be built in Nova Scotia in 10 years.

In 2002-03, we provided financing assistance to six non-profit agencies and purchased and/or renovated three homes. These homes enabled the relocation of 17 clients in the Department's Community Supports for Adults Program to community-based residential settings. All these initiatives were able to obtain favorable financing terms through the Corporation. This will help stabilize the Department of Community Services' financing component of per diem funding commitments, which protects government from long term interest rate fluctuations.

To help us manage our housing assets, in February 2003 we began implementing new property management software. This software system will improve operating efficiencies in managing our housing properties.

David M. Morse
Chair, Nova Scotia Housing Development Corporation
Minister, Department of Community Services

March 21, 2003

Message from the Deputy Minister

This plan sets out the Corporation's business agenda for the 2003-04 fiscal year, including some of the challenges facing the Corporation.

- We have an aging public housing stock which continues to need major capital replacement and improvement expenditures to ensure that our housing continues to be a viable housing option for people with low to moderate incomes.

- Annual funding for programs administered under the Canada Nova Scotia Social Housing Agreement is decreasing, and the Corporation must strive to identify new opportunities to generate additional funding to maintain the programs.

- Based on the 1996 Census data, approximately 11% of the private housing in Nova Scotia was in need of major repairs.

- More and more seniors in the Province's senior public housing are over the age of 80 and a growing number are in need of on-going support services in addition to affordable housing.

To deal with these challenges, staff of the Housing Services Division of the Department of Community Services will be working with our partners in other government departments and our network of service-providers to address these housing issues.

In terms of accountability, at the end of this Business Plan, we have set out outcome measures with targets the Corporation wants to achieve by 2004-05. These measures and our progress toward our targets will be monitored throughout the year.

These are challenging times for the Corporation. Improved communications and a greater focus on teamwork will be essential. Together I believe we can successfully face the challenges that lie ahead.

Marian F. Tyson, Q.C.
President, Nova Scotia Housing Development Corporation
Deputy Minister, Department of Community Services

March 21, 2003

Mission

To be a partner to Nova Scotians in fostering healthy communities through housing.

Planning Context

The Nova Scotia Housing Development Corporation is responsible for managing the Province's housing assets and consolidating the revenues and expenditures associated with operating these assets.

The Minister of Community Services is the Corporation's Chairperson and the Deputy Minister is the President. The Corporation's business is administered by the staff of the Housing Services Division with some financial support from the Finance and Administration Division of the Department of Community Services. Department staff work on behalf of the Corporation but they are not direct employees and they receive no remuneration from the Corporation.

The Corporation supports the Province's housing initiatives to provide safe, affordable appropriate and sustainable housing to low and modest income Nova Scotians by managing the Province's housing assets and providing financing tools for other housing solutions.

The Corporation owns approximately 11,650 senior and family public housing units, making it the largest residential landlord in the province. The property management for these units is delivered through seven Housing Authorities. The Housing Authorities also administer the Rent Supplement Program which provides rental assistance to 800 low income households who live in private rental accommodations. The Corporation also provides another 1,540 housing units – both rental units and home owner units – under the Rural and Native Housing Program. These Public Housing, Rural and Native Housing, and Rent Supplement units house approximately 25,000 Nova Scotians.

In 1997, the Corporation signed the Canada Nova Scotia Social Housing Agreement with Canada Mortgage and Housing Corporation (CMHC). Under this Agreement, annual Federal funding for Federal/Provincial Social Housing Programs was capped at 1995 levels and follows a pre-defined declining schedule which will expire in 2035.

Under the Agreement, the Corporation must manage Federal funding so that there will be sufficient funds available in future years to support the Federal/Provincial Social Housing Programs. Based upon current program revenue and expenditure projections, the current surplus in unused Federal funding will decrease over the term of the Agreement and result in an accumulated deficit when the pre-defined delivery schedule ends in 2035. This is driven by:

- declining annual Federal subsidies,
- level of Provincial and Municipal annual subsidies,
- minimal increase in rental revenues as tenants pay rent geared to income and their income increases marginally year over year. (This is based on Housing's actual past experience in rental trends.); and,
- increasing annual operating expenses for over 12,000 rental units due to inflation (This includes for example, utilities, home heating fuel oil, cost of maintenance, wages and capital improvements. For projection purposes we used a conservative average inflationary rate of 1%.).

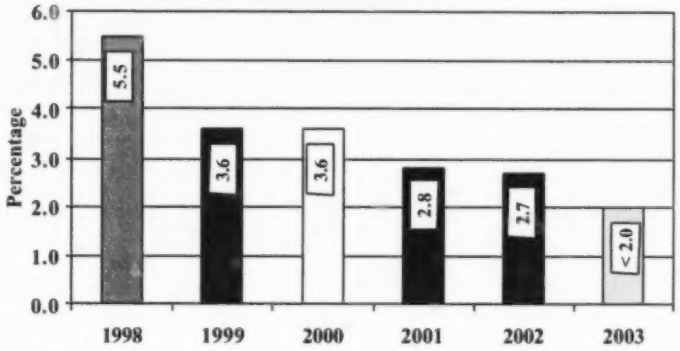
The Department's Housing Services Division is currently exploring new strategies to generate additional revenues to help offset projected deficiencies in future funding.

The Corporation administers approximately 220 third-party operating agreements with 156 different cooperative and non-profit housing organizations. Under the terms of the respective operating agreements Housing Services provides annual subsidies to the 220 housing projects. These projects involve approximately 9,000 dwelling units and are located around the province.

The Corporation provides direct lending or loan guarantees to qualifying housing sponsors who satisfy a housing need and cannot obtain financing in the private sector. Some examples include group homes, nursing homes, and assisted living projects.

There is a need for more safe, appropriate and affordable housing. Across Nova Scotia for example, in the Halifax Census Metropolitan Area (CMA), which includes Halifax, Dartmouth, Bedford, Sackville and some outlying areas, the overall apartment vacancy rate has declined from 5.5% in 1998 to 2.7% in 2002 and Canada Mortgage and Housing Corporation is projecting a vacancy rate of less than 2% in 2003 (see Figure 1).

Figure 1. Apartment Vacancy Rates in the Halifax CMA



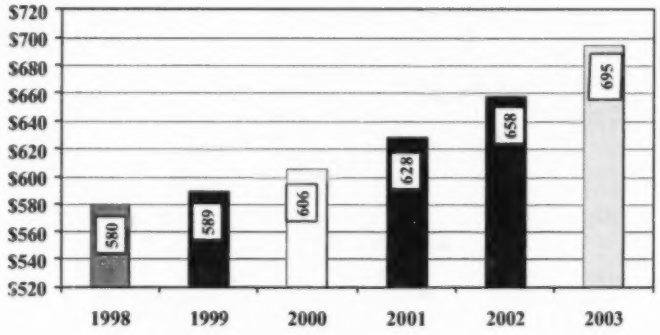
Source: Canada Mortgage & Housing Corporation (CMHC)

Note – For 2003 CMHC is projecting a rate less then 2%

Canada Mortgage and Housing Corporation generally assumes the rental marketplace to be in equilibrium at 3%. Below this rate the rental market is considered to be imbalanced which means it is more difficult to find a vacant apartment unit.

At the same time, the average rent in the Halifax CMA has gone from $580 in 1998 to $658 in 2002 and it is projected to reach $695 in 2003 (see Figure 2). Given the current rental housing market, low income families, seniors and individuals in the Halifax area may have difficulty finding safe, affordable and appropriate housing.

Figure 2. Average Rent for An Apartment in the Halifax CMA



Source: Canada Mortgage & Housing Corporation (CMHC)

Note: CMHC is projecting an average rent of $695 for 2003.

The Department's Housing Services Division will continue to develop affordable housing under the Canada Nova Scotia Affordable Housing Agreement in areas of identified need throughout the province.

Other challenges facing the Corporation include:

- establish goals and objectives of public housing that support the Housing Services' mission statement and ensure that the housing operations are supportive of these goals and objectives;
- develop an Asset Management Function to facilitate the establishment of asset based financial goals and promote property related decision-making based on business principles; and
- provide a more seamless service to Housing Services' clients through more streamlined and co-ordinated services.

The Corporation is also exploring potential opportunities with other provincial Departments for the construction of new non-profit facilities such as nursing homes, groups homes, assisted living projects and other forms of housing.

The Corporation accomplished four key milestones in 2002-03. These include:

- We began implementing a new property management software system to manage our Public Housing. The new system will improve our operating efficiencies in managing the provincially owned housing in Nova Scotia.
- In September 2002, Nova Scotia and the Federal Government signed a five-year $37.26 million Affordable Housing Program Agreement. Up to 1,500 affordable homes will be created or renovated. This Agreement involves federal funding of $18.63 million along with matching contributions from the Province and our housing partners. Under the Affordable Housing Agreement, the Department has developed housing programs to address the specific housing needs of low and moderate income households in Nova Scotia. The four program components are: New Rental Housing Initiative, New Homeowner Program, Rental Rehabilitation Program and the Homeowner Rehabilitation Program. We have already begun to build affordable housing projects under these programs.

- The Corporation provided financing to six non-profit organizations for the development of housing projects. Projects we assisted include:

  - Assisted living facilities for senior citizens, allowing them to "age in place";
  - Group homes for mentally or physically disabled people; and
  - Nursing homes.

  Financing for these housing projects was provided at attractive terms which will protect the Province from long term interest rate fluctuations.

- We improved the financial reporting of the Government's housing expenditures by consolidating the property management operations of the Housing Authorities and the Rural and Native Housing program into one financial statement. This marks the first time that this financial information has been consolidated as part of the annual audit, and it supports Government's goal of increased transparency.

Strategic Goals

The Nova Scotia government's three overriding goals for 2003-04 are:

- Healthy Nova Scotians.
- Educated and confident Nova Scotians.
- Self-sufficient and prosperous Nova Scotians.

Through housing programs we recognize that safe, appropriate, affordable and sustainable housing is a significant contributor to the health of our communities and to the personal well-being of all Nova Scotians. Good housing provides the environment and base needed to effectively deliver other social programs, such as home care and education. In particular it has a lasting effect on children as research has shown that poor housing conditions have a detrimental impact on early childhood development. Community Services' housing programs keep homes safe and comfortable for Nova Scotians and these programs provide employment to trades people across the Province.

Seniors prefer to live independently in their own homes for as long as possible, and seniors tend to remain healthier and more confident, the longer they are able to "age in place" in their own homes. This becomes an important consideration as the percentage of Nova Scotia's population over the age of 65 continues to grow. Community Services' housing grant and loan programs help seniors adapt their homes which enables them to continue to live independently.

Strategic goals of the Corporation include:

- To foster healthy communities through housing.
- To ensure a supply of safe, appropriate, affordable and sustainable housing.
- To optimize access to safe, appropriate, affordable, and sustainable housing.

Core Businesses

In support of the Department of Community Services' mandate, the Corporation's core businesses are:

- Manage the Federal government's transfers for social housing as set out in the 1997 Canada Nova Scotia Social Housing Agreement. This includes, for example, housing seniors and families in over 12,000 rental units, and providing under the Rent Supplement Program rental assistance to an additional 800 household who live in privately owned rental accommodations.
- Provide low cost financing or Nova Scotia Housing Development Corporation ownership and lease arrangements to qualifying housing projects.
- Managing the funded reserves associated with provincial housing programs to protect the Province from loss from the Corporation's direct and/or contingent liabilities relating to both the Province's housing activities and to the Canada Nova Scotia Social Housing Agreement.
- Deliver the Canada Nova Scotia Affordable Housing Agreement programs over the next five years.

Priorities for 2003-04

The following are priorities by core business area for the 2003-04 fiscal year:

Core Business - Manage the Federal government's transfers for social housing as set out in the 1997 Canada Nova Scotia Social Housing Agreement.

- Evaluate the housing programs administered under the 1997 Canada Nova Scotia Social Housing Agreement. This is a multi-year project. During 2003-04 Housing Services will complete the evaluation framework for the Public Housing Program.

- Complete the implementation of the new property management system in the Housing Authorities and Housing Services. This new system will improve our operating efficiencies in administering current Housing Services programs, and it also presents an opportunity for Housing Services to expand its reporting capabilities.

- Provide a more integrated service delivery with other Department of Community Services' programs.

Core Business - Provide low cost financing or Nova Scotia Housing Development Corporation ownership and lease arrangement to qualifying housing projects.

- Increase the number of agreements with other government departments such as Health and other divisions within Community Services to construct Housing to enhance program delivery. Our target is to achieve a minimum of three agreements for 2003-04.

Core Business - Managing the funded reserves associated with provincial housing programs to protect the Province from loss from the Corporation's direct and/or contingent liabilities relating to both the Province's housing activities and to the Canada Nova Scotia Social Housing Agreement.

- Review the Corporation's reserves to ensure they are adequately funded to protect the Corporation from loss. This involves reviewing the financial stability of cooperative and non profit housing projects.

Core Business - Deliver the Canada Nova Scotia Affordable Housing Agreement programs over the next five years.

- Implement the new Canada Nova Scotia Affordable Housing Agreement. This program was officially signed during 2002-03. This is a $37.26 million joint initiative between the federal and provincial government. In order to achieve the maximum benefit from this program, the province and its housing partners are required to match the federal government's contribution of $18.63 million over five years. In Nova Scotia, this program will ensure the construction of additional affordable housing units and make improvements to existing housing for low to moderate income households.

Budget Context

The table below sets out the payment made to the Housing Services Division of the Department of Community Services as an administration fee. The Net Expenditures of the Corporation are $0.00.

Table 1. Nova Scotia Housing Development Corporation's Administration Fee to Housing Services

2001-02 Actual	2002-03 Estimate	2003-04 Estimate
$2,600,000	$1,600,000	$1,600,000

The following supplementary tables provide more detailed information on the Corporation's funding.

Table 2. Nova Scotia Housing Development Corporation Funding

Funding Source	2001-02 Actual Audited	2002-03 Forecast	2003-04 Estimate
Revenue from Government Sources	72,591,000	72,000,000	72,250,000
Revenue from Rents	48,424,000	48,700,000	49,000,000
Interest, revenue from Land Sales and other revenue	5,065,000	6,300,000	5,000,000
Total Funding	**$126,080,000**	**$127,000,000**	**$126,250,000**

Table 3. Nova Scotia Housing Development Corporation Expenditures

Expenditures	2001-02 Actual Audited	2002-03 Forecast	2003-04 Estimate
Interest on Long Term Debt	$30,609,000	$28,500,000	$27,500,000
Property Management and Operations	37,650,000	39,000,000	41,000,000
Maintenance and Capital Improvements	18,532,000	19,300,000	20,000,000
Transfer to Housing Services*	25,100,000	25,000,000	25,000,000
Amortization of Invest. in Social Housing	9,007,000	9,500,000	10,000,000
Administration Fee and Cost of Land Sold	5,182,000	5,700,000	2,750,000
Total Expenditures	**$126,080,000**	**$127,000,000**	**$126,250,000**

* Under the terms of the Canada Nova Scotia Social Housing Agreement, Canada

Mortgage and Housing Corporation transfers the Federal subsidies to the Corporation monthly. A portion of this funding is then transferred to Housing Services Division of the Department of Community Services for Social Housing program subsidies. The figure $25,100,000 represents federal subsidies advanced during the year.

Outcomes and Outcome Measures

See the outcomes measures table below.

Nova Scotia Housing Development Corporation's Outcomes & Outcome Measures				
Outcome	**Measure**	**Data**	**Target 2004-05**	**Strategies to Achieve Target**
Core Business:	**Manage the Federal government's transfers for social housing as set out in the 1997 Canada Nova Scotia Social Housing Agreement.**			
Financially viable social housing portfolio.	Projection of the financial resources available to meet anticipated Canada Nova Scotia Social Housing Agreement expenditures.	Projected deficit by 2035.	Decrease the projected deficit position.	1. Generate additional revenue. 2. Achieve program administrative savings. 3. Create operating efficiencies through improved information technology.
Core Business:	**Provide low cost financing or Nova Scotia Housing Development Corporation ownership and lease arrangements to qualifying housing projects.**			
Government has additional options in managing capital financing for government sponsored housing.	Number of qualifying housing projects receiving financing or Corporation ownership and lease arrangements. **Note** - The wording of this outcome measure has been revised to clearly reflect the assistance options. In the Corporation's 2001-02 Accountability Report the measure read: number of qualifying projects receiving financing in the form of a loan guarantee or a direct loan.	**Baseline** 2001-02 - one housing project **2002-03** Not yet available.	Minimum 3 housing projects per year receiving financing or Corporation ownership and lease arrangements.	1. Convert existing private sector loan guarantees to lower cost financing terms. 2. Increase partnering with other departments and government agencies.

Nova Scotia Housing Development Corporation's Outcomes & Outcome Measures				
Outcome	**Measure**	**Data**	**Target 2004-05**	**Strategies to Achieve Target**
Core Business:	**Manage the funded reserves associated with provincial housing programs to protect the Province from loss from the Corporation's direct and/or contingent liabilities relating to both the Province's housing activities and to the Canada Nova Scotia Housing Social Agreement.**			
Financial reserve funds are adequate, risk of loss to the Province is minimized.	Number of cooperative and non-profit housing projects that are financially stable as a percentage of the total number of cooperative and non-profit housing projects.	**Base line** 2000-01- 62.5% **2001-02** 68% **2002-03** Not yet available.	75%	1. Improve project monitoring procedures. 2. Provide financial work outs for projects in difficulty.
Core Business:	**Deliver the Canada Nova Scotia Affordable Housing Agreement Programs over the next five years.**			
More households in safe, appropriate, affordable and sustain-able housing.	Percentage of the Affordable Housing Agreement funds spent to date on creating new affordable homes. **Note** - This is a new outcome measure. It was added in light of the new Canada Nova Scotia Affordable Housing Agreement, signed in September 2002.	Base year to be established in 2002-03.	60% of funds (2002-03 to 2004-05 inclusive) spent on creating new affordable homes.	1. Implement the Canada Nova Scotia Affordable Housing Agreement through partnerships with communities, municipalities, organizations and businesses.